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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

15 August 1958

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Outlook for the Shah of Iran*

DOCUMENT NO. 11
NO CHANGE IN CLASS. ☐
☒ DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: _____
AUTH: HR 76-2
DATE: 21 APR 1980 REVIEWER: 018645

SUMMARY

1. The swift and brutal overthrow of the monarchy in Iraq shocked and frightened the Shah of Iran and may cause him to reappraise the future of his personal position and his program in Iran. We have no hard intelligence which indicates an attempt to overthrow the Shah's rule is imminent. Yet many reports from a variety of sources indicate that basic and widespread dissatisfaction with the regime has created an atmosphere in which a coup from could occur at any time. If, however, the Shah took dramatic and forceful steps to reform the corrupt social, political, and economic system, he might be able to maintain his position for the next few years. We believe the Shah is unlikely on his own to take such drastic actions. If he does not, we believe the regime will

* This memorandum was prepared with the participation of representatives from DD/P and OCI.

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become ever more unpopular and vulnerable to overthrow.

DISCUSSION

2. During the past two years the Shah of Iran has succeeded in consolidating all power under his personal authority and today controls even the day-to-day functions of government. At the same time, his personal prestige has decreased sharply. He is criticized and blamed for the continuance of near feudal economic and social conditions in the country. In spite of the Shah's well intentioned public pronouncements concerning social and economic reforms he is blamed for the fact that little of real significance has been accomplished. More importantly, there is today little belief or even hope in the country that his rule will bring such reforms.

3. Although a facade of representative government has been preserved it is regarded by the vast majority of politically conscious Iranians as a farce. Elections are strictly controlled, debate in the Majlis is limited, and all real opposition elements are suppressed through arrests and censorship. Opportunities for political expression and responsibility have decreased markedly over the past two years.

4. At the same time basic economic problems and grievances have been accentuated as the total wealth of the country has increased. It is the popular belief in Iran that the country's growing oil revenues

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have gone mainly to enrich the ruling class. Actually a sizeable proportion of these revenues have gone into the Plan Organization, but the results have fallen so far short of expectation that the political impact has been adverse. Wealth is concentrated in the hands of a small group. Only two percent of the land is owned by the peasants who work it. Eight percent of government tax revenues are from taxes which fall most heavily on the poor. Flagrant corruption continues throughout the government, and the predatory economic activities of the royal family, including those of the Shah himself, and of the Court circle evoke widespread resentment and disgust.

5. In this situation a majority of the politically articulate population of Iran has lost faith in the regime. Many, including conservative military leaders and members of the ruling class, feel that the Shah has been inconsistent and indecisive, and has shown himself incapable of running the country efficiently. Some feel that the institution of the monarchy is outmoded and that only a republican government can accomplish the changes needed to make Iran a dynamic and progressive country.

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6. Although it is clear that there is widespread opposition to the regime, we have only limited knowledge of the organization, membership, and military support of opposition groups. Former Prime Minister Mossedeq remains a symbol of nationalist opposition, although he is not now politically active and is unlikely again to assume a position of real leadership. Several different nationalist groups are known to exist and to have been in liason from time to time. We do not know of any group of any political complexion which is now capable of a successful coup. We know of no organized conservative group which has plans to overthrow the Shah. The Tudeh Party (Communist) remains active, especially in the Abadan area, but we believe it is at present incapable on its own of overthrowing the government.

OUTLOOK

7. We believe the future of the Shah's rule in Iran is extremely uncertain. In the circumstances which prevail today any group which challenged the Shah's position and offered a change would have widespread popular appeal. The atmosphere in the country is such that an attempt to overthrow his regime could occur at any time. We have no hard intelligence which indicate that such an attempt is imminent. Yet if the present trend of events continues, we believe this will almost certainly sometime during the next few years.

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8. We believe the Shah can maintain his position only by taking steps which will convince the public that he is breaking with the ineffectual and corrupt methods of the past. Measures to demonstrate that he can be a forceful authoritarian might win the support of conservative elements, but might at the same time touch off an opposition revolt. We do not believe, however, that the Shah is personally capable of such action or that, even if it were successful, this would provide more than a short term strengthening of his position.

9. On the other hand, if the Shah were to take forceful and determined steps to eliminate corruption in government, if he initiated economic reforms, and established at least the beginnings of genuine popular participation in the government, we believe there would be a fair chance of orderly political evolution. We believe it would be psychologically extremely difficult for the Shah to relinquish absolute control of the government and admit to political responsibilities elements which he is convinced seek his personal downfall. Furthermore, he also would have to carry through programs which would damage the special interests of the royal family, the court, and ^{the} ruling class. We believe the Shah will be extremely reluctant and hesitant to take such actions and would be likely to do so, if at all, only under heavy and continuing pressure from the US.

Role of the Military

11. The stability of the Shah's government depends, in particular, upon the loyalty of the army and its active support in a crisis. Our

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hard intelligence concerning the attitudes, political orientation, and groupings of all but the most senior military officers is severely limited. On the basis of our knowledge of senior officers, we believe many of them to be capable of joining the political opposition in initiating or supporting movements to reduce the power of the Shah. The existence in the services of the same type of corruption and favoritism as exists in the civil governments makes it likely that there is considerable dissatisfaction among the more junior officers. We do not believe loyalty to the Shah in the armed services is strong enough to insure their active support in the event of an attempt to overthrow him. Certainly the recent actions of the Shah in surrounding his palace with heavy armaments and his reported investigations and arrests of army officers indicates that he has less than complete confidence in the support of the military. We do not believe that US military assistance will in itself strengthen the loyalty of the army to the Shah.

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12. The wealth of Iran will grow significantly during the next few years as oil revenues increase and other development continues. If current economic and social conditions remain unchanged, we do not believe that this growth will much improve the Shah's capabilities for remaining in power. And as long as there is a general belief that the benefits of economic development are going principally to the ruling class, the meagre improvements which may accrue to the majority of the population will be looked upon as less than their rightful due. In this situation US economic assistance would have little effect upon the stability of the political situation.

The US Position

13. It is generally believed in Iran that the US is committed to the support of the Shah and has a high degree of influence, even control, over the Shah. It is further believed that the US has not pressed the Shah to institute political and social reforms. Furthermore, it is widely assumed that the US supports and finances the Iranian intelligence service, SAVAK, which works against all groups opposing the government. For these reasons the prestige and influence of the US have declined along with those of the Shah. Yet there remains much good will and respect for the US.

FOR THE BOARD OF NATIONAL ESTIMATES:

Abbot Smith

ABBOT SMITH
Acting Chairman
National Estimates

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